



**Independent School District No. 879
Delano, Minnesota**

Communications Letter

June 30, 2025

Independent School District No. 879
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Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

To the School Board and Management
Independent School District No. 879
Delano, Minnesota

In planning and performing our audit of the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The significant deficiency identified is stated within this letter.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated November 5, 2025, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for management, the School Board, and others within the District and state oversight agencies the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 5, 2025

Independent School District No. 879
Significant Deficiency

Lack of Segregation of Accounting Duties

The District has a lack of segregation of accounting duties in the cash disbursements, receipts, and payroll processes due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements. Although this meets the definition of a "significant deficiency," it may not be practical to correct since the costs of obtaining desirable segregation of accounting duties may exceed benefits that could be derived. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The District Accountant enters bank deposit amounts in Skyward, along with preparing the monthly bank reconciliations.
- The Business Manager and District Accountant have access to all areas of the accounting system, while performing some initiation and reconciliation duties.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the number of staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

We recommend management, along with the School Board, remain aware of this situation, and continually monitor the accounting system including changes that occur.

**Independent School District No. 879
Required Communication**

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2025. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Independent School District No. 879
Required Communication**

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks

We addressed the following significant risks of material misstatement identified in our planning procedures:

- Management Override of Controls - Overall Financial Statements - Management over of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results.
- Improper Revenue Recognition - Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the governments operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources.
- State Aid Valuation - Revenue and receivable amounts related to General Education Aid and Special Education Aid are generally material to the financial statements and involve significant estimates.
- Pension Valuation - Net pension liability, deferred outflows of resources related to pensions, and deferred inflows of resources related to pensions are generally material to the financial statements and involve significant estimates.
- Other Post Employment Benefits (OPEB) Valuation - Total OPEB liability, deferred outflows of resources related to OPEB, and deferred inflows of resources related to OPEB are generally material to the financial statements and involve significant estimates.
- Compensated Absences Valuation - Compensated absence balances are generally material to the financial statements and involve significant estimates.

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the notes to the basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the basic financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the basic financial statements relate to:

**Independent School District No. 879
Required Communication**

Qualitative Aspects of the District's Significant Accounting Practices (Continued)

Significant Accounting Estimates and Related Disclosures (Continued)

General Education and Special Education Aid - General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Total Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB - These balances are based on an actuarial study using the estimates of future obligations of the District for post employment benefits.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions - These balances are based on an allocation by the pension plans using estimates based on contributions.

Compensated Absences Payable - This balance is based on a calculation using the estimates of future obligations of the District for compensated absences.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit.

Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the basic financial statements taken as a whole.

**Independent School District No. 879
Required Communication**

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating, and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditor.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the District's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

Independent School District No. 879
Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance.

Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this letter. The last section of this report, which contains a summary of legislative changes affecting school districts, gives an indication of how complicated the funding system is. The following section provides some state-wide funding and financial trend information.

Average Daily Membership and Pupil Units

The largest single funding source for Minnesota school districts is basic General Education Aid. Each year, the State Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to ADM. Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2016	\$ 5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%
2023	6,863	2.0%
2024	7,138	4.0%
2025	7,281	2.0%
2026	7,481	2.7%

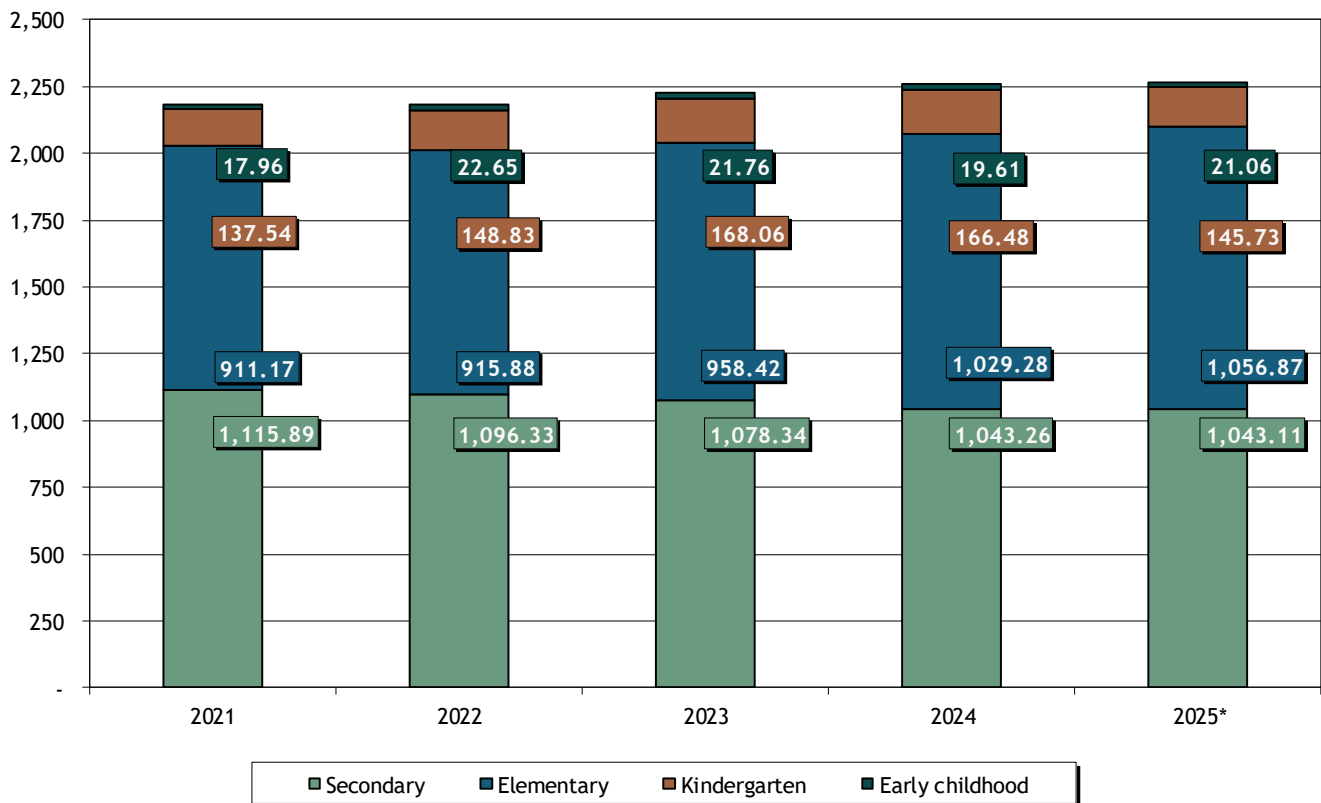
Independent School District No. 879 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

The following table and graph summarizes resident ADM of the District for the past five years ended June 30:

ADM	2021	2022	2023	2024	2025*
Early childhood	17.96	22.65	21.76	19.61	21.06
Kindergarten	137.54	148.83	168.06	166.48	145.73
Elementary	911.17	915.88	958.42	1,029.28	1,056.87
Secondary	1,115.89	1,096.33	1,078.34	1,043.26	1,043.11
Total Resident ADM	2,182.56	2,183.69	2,226.58	2,258.63	2,266.77

Student's (Average Daily Membership)



* Estimate

The chart and graph above illustrate the resident ADM level experienced by the District for the past five years. Total resident ADM increased 0.4% in the past year and has increased 3.9% since 2021.

To calculate a majority of the District's education aids, the ADM amounts are converted into pupil units by weighting, based on the student's grade level. These weighting factors are presented in the table on the next page.

Independent School District No. 879 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

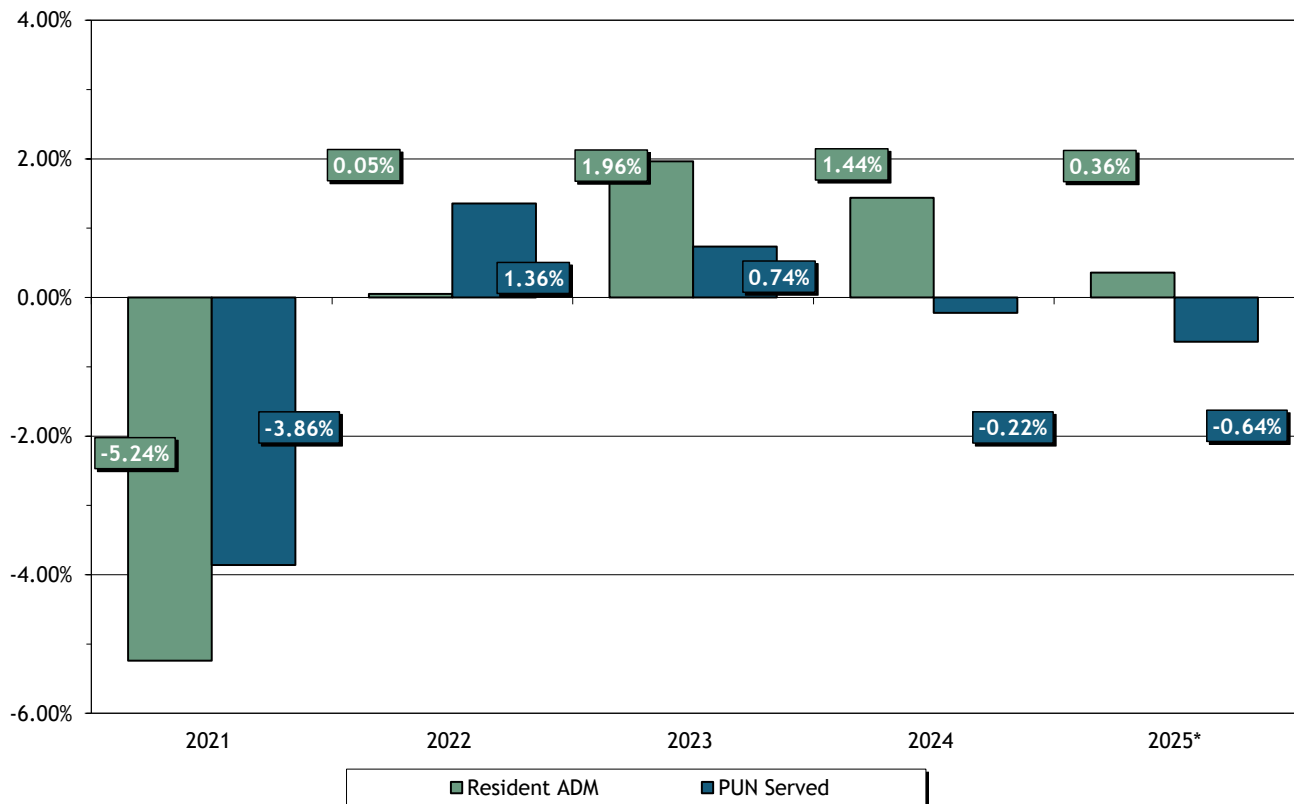
The total pupil units are converted to adjusted pupil units, which also may be used to calculate the District's education aids.

	Pupil Units Weighting					
	Early Childhood	Handicapped Kindergarten	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
Year 2021-2025	1.000	1.000	0.55/ 1.000	1.000	1.000	1.200

The weighted average pupil units (PUN) served table and graph below converts the resident ADM into weighted or adjusted pupil unit data for the past five years taking into consideration the above weighting factors and open enrollment. PUN served decreased 0.6% in 2025 as more students left through open enrollment during 2025.

PUN	2021	2022	2023	2024	2025*
Residents	2,405.74	2,402.96	2,442.28	2,467.29	2,475.38
Resident PUN loss	(245.67)	(250.22)	(264.02)	(284.53)	(316.68)
Nonresident PUN gain	430.67	473.11	466.90	456.52	463.75
Total PUN Served	2,590.74	2,625.85	2,645.16	2,639.28	2,622.45

Change in Resident ADM and PUN Served



* Estimate

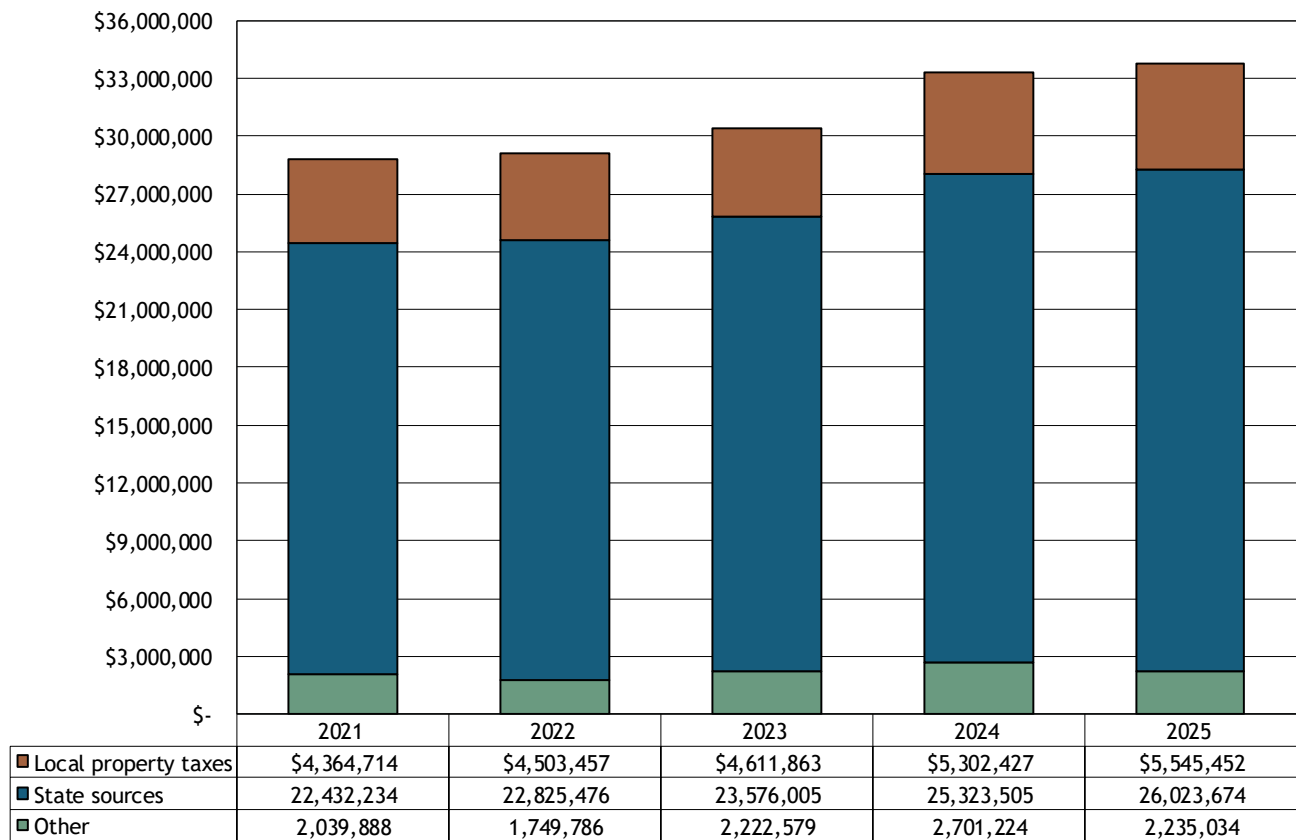
Independent School District No. 879 Financial Analysis

General Fund Sources of Revenue

General Fund sources of revenue are summarized as follows for the last five years:

	2021	2022	2023	2024	2025
Local property taxes	\$ 4,364,714	\$ 4,503,457	\$ 4,611,863	\$ 5,302,427	\$ 5,545,452
State sources	22,432,234	22,825,476	23,576,005	25,323,505	26,023,674
Other	2,039,888	1,749,786	2,222,579	2,701,224	2,235,034
Total	\$ 28,836,836	\$ 29,078,719	\$ 30,410,447	\$ 33,327,156	\$ 33,804,160

General Fund Sources of Revenue



State revenue, which makes up the largest percentage of the District's revenue at 77%, increased \$700,169 due to increased special education aid along with some new additional state aids that were received for 2025. Local property taxes, which represent 16% of the District's revenues, increased \$243,025 in 2025 due to an increase in the tax levy allocation. Other revenues, which accounted for 7% of the District's General Fund revenue in 2025, decreased \$466,190 due to lower federal revenues as greater funding was received in the prior year through the federal COVID funds.

Independent School District No. 879 Financial Analysis

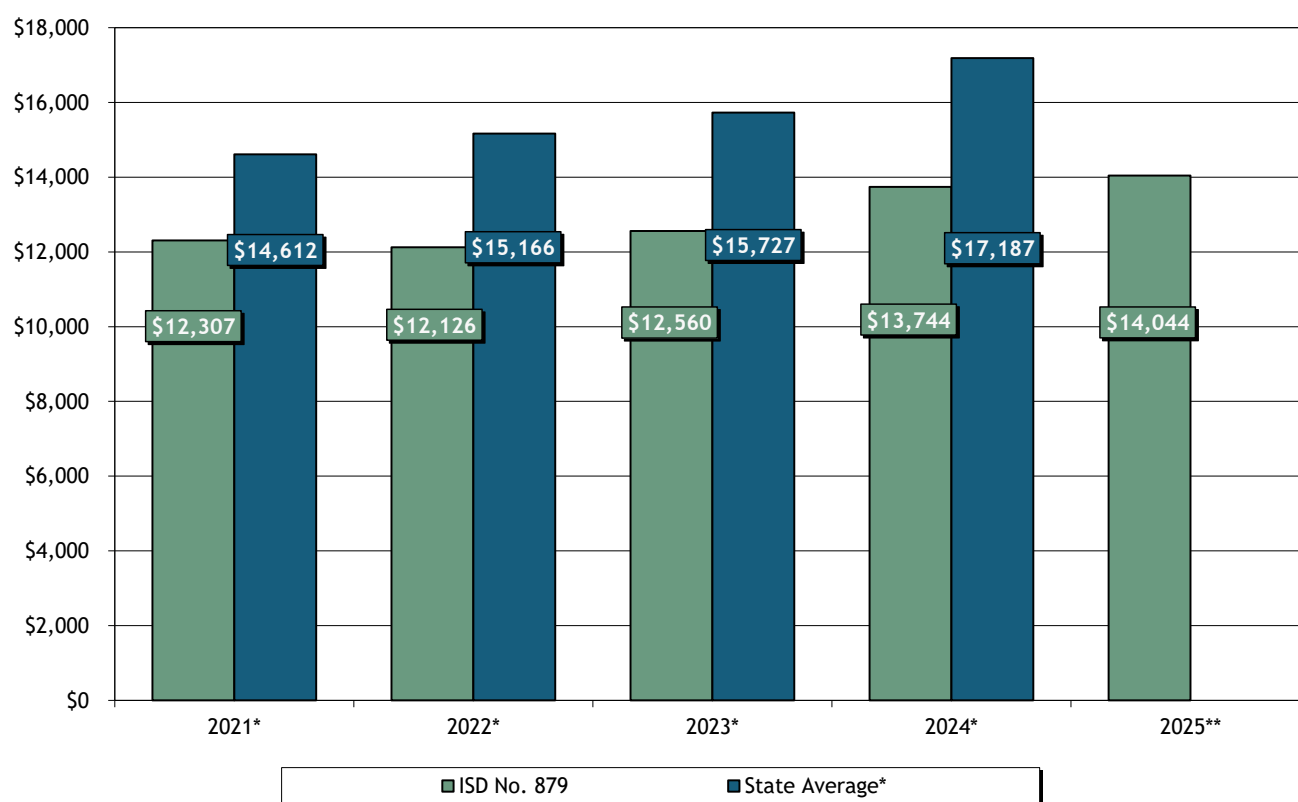
Revenues Per ADM Served

Revenues per student (ADM served) are summarized in the following graph:

ISD No. 879	2021*	2022*	2023*	2024*	2025**
Property taxes	\$ 1,815	\$ 1,782	\$ 1,852	\$ 2,146	\$ 2,304
State aid	9,494	9,510	9,729	10,436	10,811
Other	998	834	979	1,162	929
Total	\$ 12,307	\$ 12,126	\$ 12,560	\$ 13,744	\$ 14,044

State Average *	2021*	2022*	2023*	2024*	2025**
Property taxes	\$ 2,381	\$ 2,443	\$ 2,545	\$ 2,728	N/A
State aid	10,758	10,782	11,073	12,448	N/A
Other	1,473	1,941	2,109	2,011	N/A
Total	\$ 14,612	\$ 15,166	\$ 15,727	\$ 17,187	N/A

General Fund Revenues Per ADM Served



* State average revenues per ADM served for all districts in the state as listed in the Minnesota Department of Education (MDE) publication *School District Profiles*

** Estimate

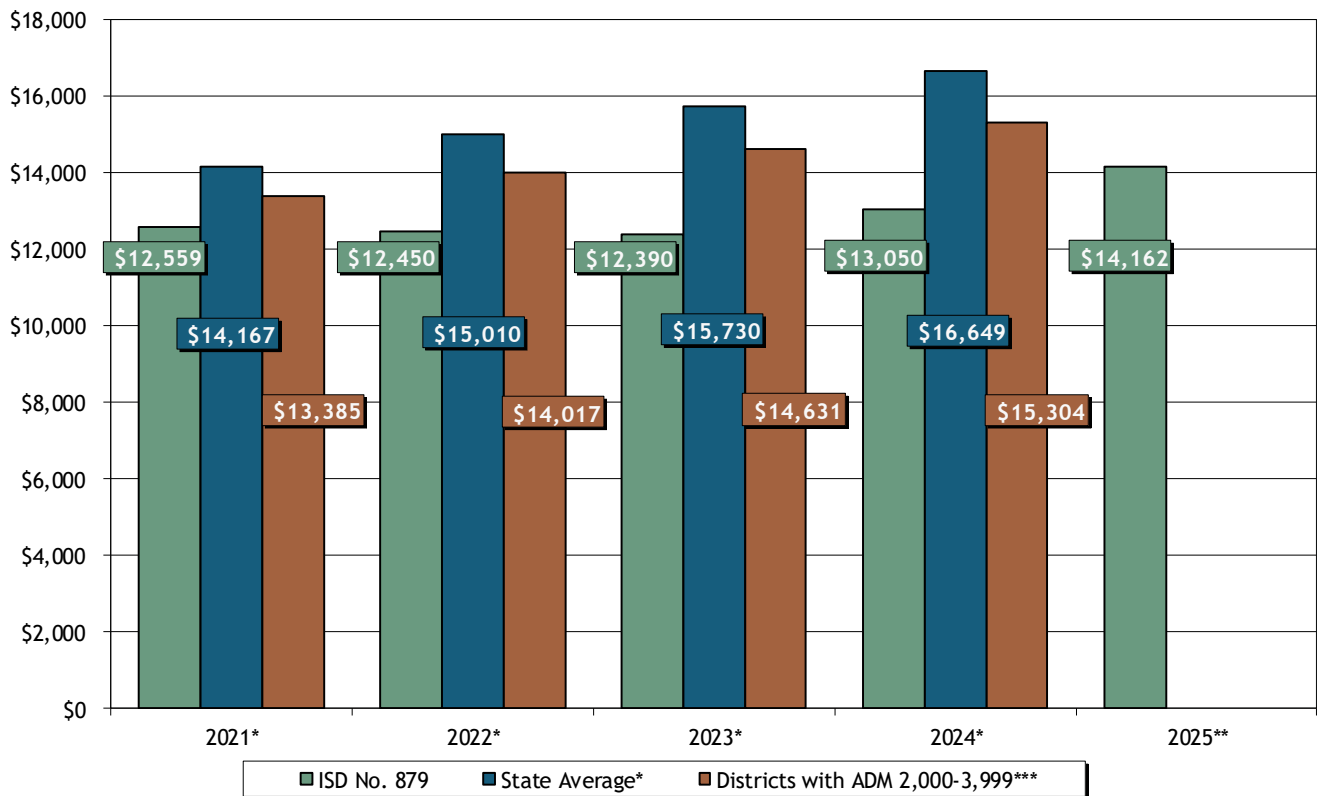
The mix of local and state revenues vary from year-to-year primarily based on funding formulas and the state's financial condition. Revenue also varies by district due to factors such as the strength of property values, mix of property types, operating and bond referendums, enrollment trends, density of population, types of programs offered, and many other criteria.

Independent School District No. 879 Financial Analysis

Expenditures Per ADM Served

Expenditures per student (ADM served) are summarized in the following graph:

General Fund Expenditures Per ADM Served



* Source: *School District Profiles*, state-wide averages are for all districts regardless of size.

** Estimate

*** Source: *School District Profiles*, Total PK-12 General Fund expenditures excluding OPEB expenditures, average sized districts in the 2,000 to 3,999 range.

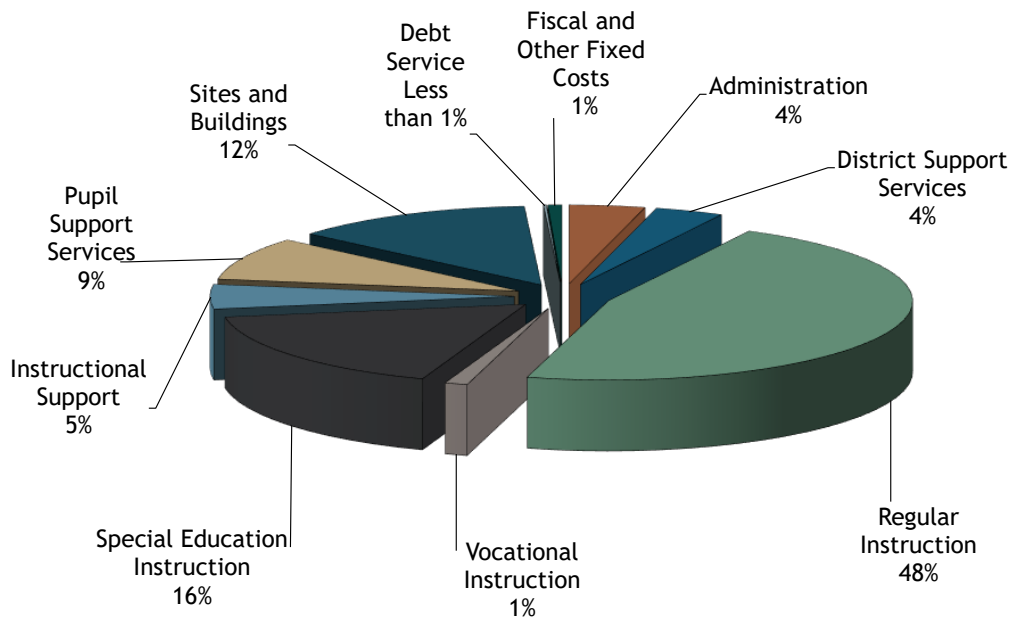
Like revenues, the District's General Fund expenditures per ADM served have been consistently under the state average as well as below the average for districts of similar size.

Independent School District No. 879 Financial Analysis

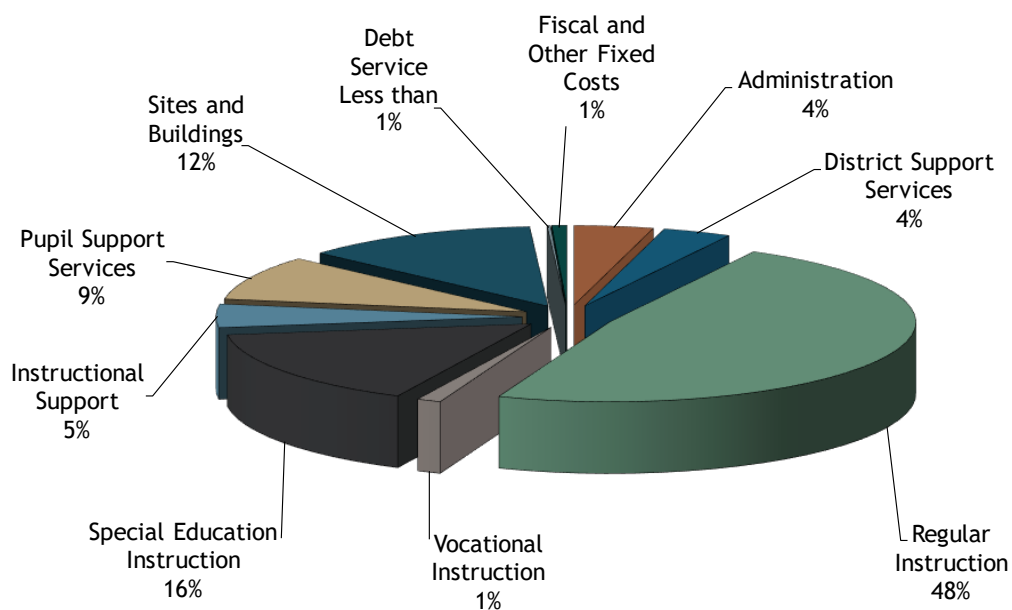
General Fund Expenditures

The following graphs depict the percentage of expenditures by function in the General Fund. The allocation of expenditures between 2024 and 2025 has been very consistent from one year to the next.

General Fund Expenditures 2025



General Fund Expenditures 2024



The three instruction categories of regular, vocational, and special education comprise 65% of total expenditures for both 2025 and 2024.

Independent School District No. 879
Financial Analysis

General Fund Budget and Actual

The chart below highlights the 2025 General Fund budget and actual results. Originally, the District budgeted for a deficit of \$1,364,264 for 2025. During the year, the budget was adjusted to show an anticipated deficit of \$855,446. In the end, expenditures exceeded revenues and other financing sources by \$285,235.

Overall, the General Fund revenues were over budget by 0.4% and expenditure were under budget by 1.2%.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 5,476,548	\$ 5,511,460	\$ 5,545,452	\$ 33,992
Other local and county revenues	986,990	1,877,334	2,017,394	140,060
Revenue from state sources	25,639,049	26,056,126	26,023,674	(32,452)
Revenue from federal sources	201,372	216,759	216,693	(66)
Sales and other conversion of assets	-	947	947	-
Total revenues	32,303,959	33,662,626	33,804,160	141,534
Expenditures				
Administration	1,402,762	1,468,679	1,372,222	(96,457)
District support services	1,255,736	1,250,957	1,245,950	(5,007)
Regular instruction	15,349,094	15,971,839	15,887,906	(83,933)
Vocational education instruction	390,596	417,114	409,559	(7,555)
Special education instruction	5,658,242	5,832,111	5,771,770	(60,341)
Instructional support services	1,750,295	1,720,973	1,704,091	(16,882)
Pupil support services	2,944,681	3,031,588	3,002,815	(28,773)
Sites and buildings	4,682,063	4,547,257	4,389,333	(157,924)
Fiscal and other fixed cost programs	206,000	253,502	252,659	(843)
Debt service	28,754	24,102	53,140	29,038
Total expenditures	33,668,223	34,518,122	34,089,445	(428,677)
Excess of revenues over (under) expenditures	(1,364,264)	(855,496)	(285,285)	570,211
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	50	50	-
Net change in fund balance	\$ (1,364,264)	\$ (855,446)	\$ (285,235)	\$ 570,211

Total revenues were over budget \$141,534 with the largest variance being in revenue from other local and county revenues due in large part to investment earnings coming in higher than anticipated. Total expenditures were under budget \$428,677 with the largest variance being in the sites and buildings program due to some unspent budgets for purchased services.

Independent School District No. 879
Financial Analysis

General Fund Operations

The following table presents five years of comparative operating results for the District's General Fund:

	2021	2022	2023	2024	2025
Revenues	\$ 28,836,836	\$ 29,078,719	\$ 30,410,447	\$ 33,327,156	\$ 33,804,160
Expenditures	29,647,752	29,853,526	30,108,074	31,647,476	34,089,445
Excess of revenues over (under) expenditures	(810,916)	(774,807)	302,373	1,679,680	(285,285)
Transfers/other financing sources/uses	218,055	146	107,114	10	50
Fund balance, July 1	9,611,428	9,018,567	8,243,906	8,653,393	10,333,083
Fund Balance, June 30	\$ 9,018,567	\$ 8,243,906	\$ 8,653,393	\$ 10,333,083	\$ 10,047,848

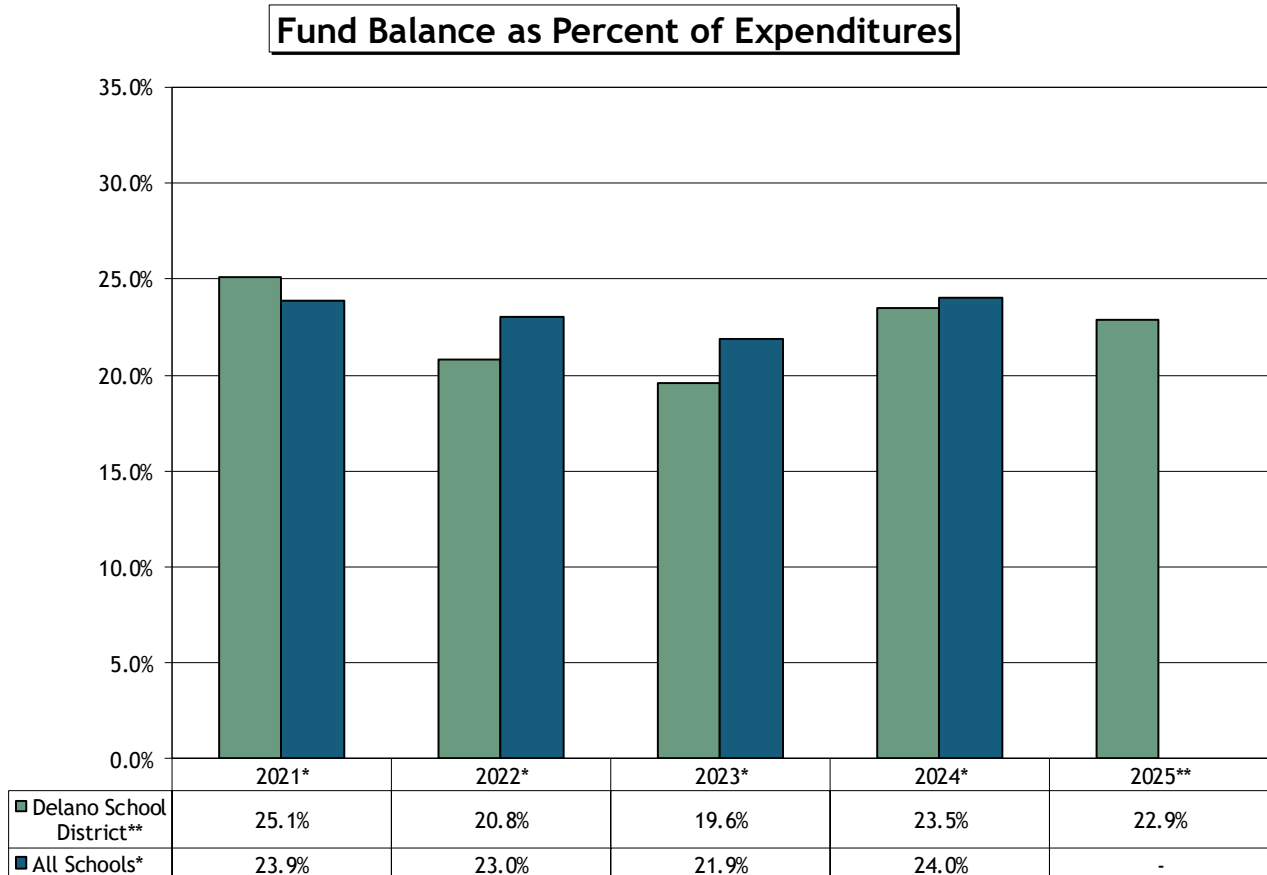
Components	2021	2022	2023	2024	2025
Unassigned	\$ 5,691,027	\$ 4,493,020	\$ 4,460,854	\$ 5,681,239	\$ 5,764,375
Assigned for					
Donated Funds	450,099	489,523	509,357	520,424	532,616
Student Activities	578	66	4,803	122	-
Q Comp	387,428	439,297	303,129	314,995	-
Providing Transformative Learning	14,654	14,654	29,133	29,133	29,133
Committed for					
Severance	82,994	117,525	43,136	102,076	100,238
Restricted for					
Student Activities	30,713	35,998	47,727	46,739	49,730
Scholarships	2,230	7,210	1,710	4,195	4,285
Staff Development	168,557	125,581	136,471	122,618	252,071
Literacy Incentive	-	-	-	115,336	244,397
Q Comp	-	-	-	-	244,893
Operating Capital	984,938	1,109,765	1,041,295	912,155	488,436
Area Learning Center	5,737	6,385	7,260	-	-
Teacher Read Act Training	-	-	-	-	19,439
Long-Term Facilities Maintenance	1,083,160	1,299,938	1,938,707	2,289,953	1,996,281
Medical Assistance	48,522	9,276	18,794	89,127	39,301
Nonspendable	67,930	95,668	111,017	104,971	282,653
Total	\$ 9,018,567	\$ 8,243,906	\$ 8,653,393	\$ 10,333,083	\$ 10,047,848

Overall, fund balance decreased in 2025 by \$285,235 from 2024. This was the third year there was a decrease in fund balance of the five years presented. Total revenue increased 1.4% and total expenditures increased 7.7%. The most significant fund balance change in 2025 can be seen in the operating capital fund balance, which decreased by \$423,719.

Independent School District No. 879 Financial Analysis

General Fund Financial Health

One of the most common comparable statistics used to evaluate school district financial health is the operating fund balance as a percentage of operating expenditures.



* Information was obtained from the MDE web site report *Fiscal Year 2013-2024 General Fund Unreserved Balance*. 2025 information is not available.

** Obtained from MDE Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Report.

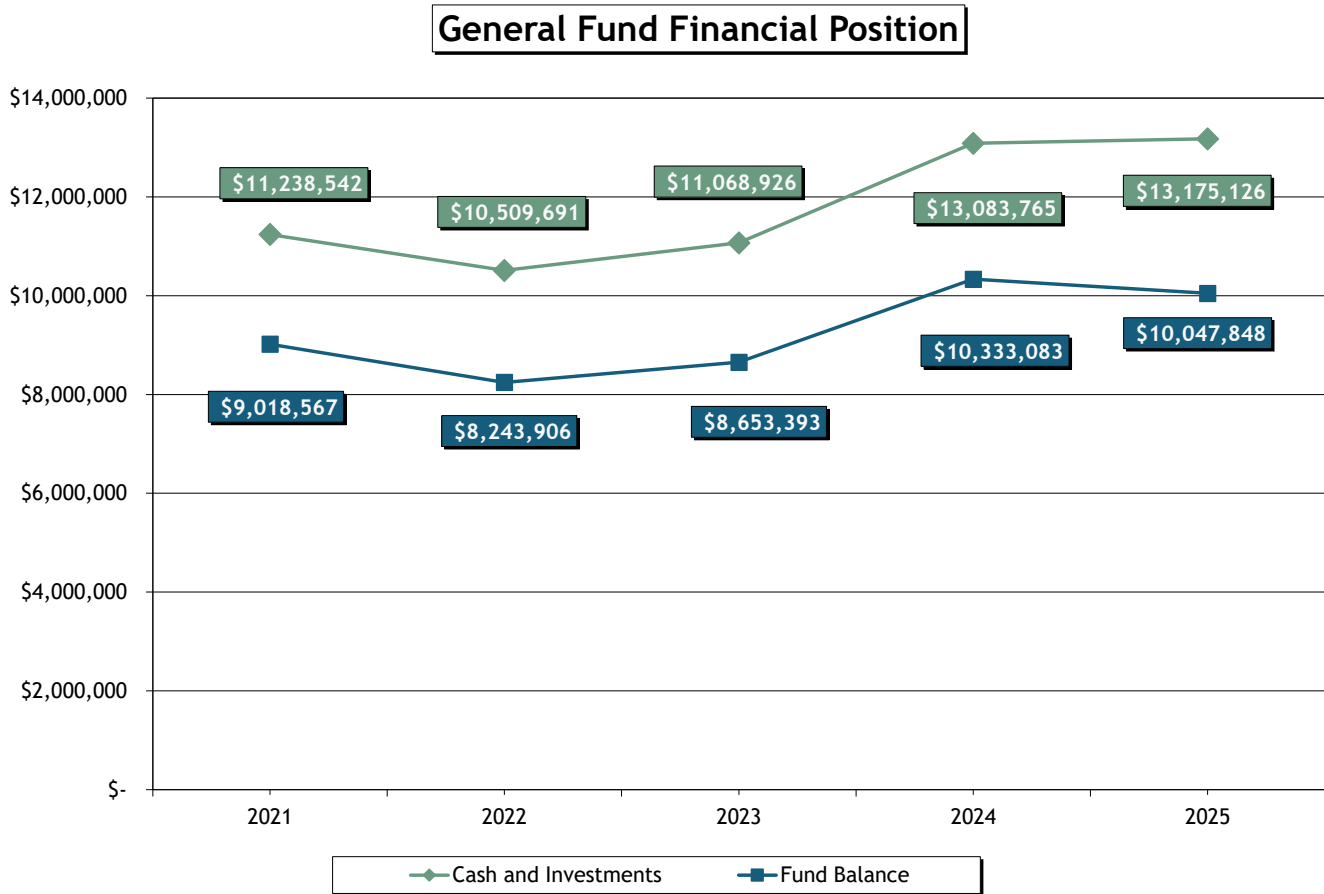
The calculations above reflect the unassigned, committed, and nonspendable fund balances of the General Fund and the corresponding expenditures, which is the same method the state now uses for the statutory operating debt (SOD) calculation.

For 2021, the District's fund balance was above the state's average. The District's fund balance fell below the state's average for 2022-2024. The District's percentage decreased from 23.5% in 2024 to 22.9% in 2025 after seeing an increase the previous year. At June 30, 2025, the District had approximately three and a half months of expenditures (based on 2025 levels) in total fund balance.

Independent School District No. 879 Financial Analysis

General Fund Financial Position

The graph below presents the fund balance of the General Fund at June 30 for each of the past five years with cash and investments for the same periods.



During 2025, the District's cumulative cash and investment balance increased \$91,361 while fund balance decreased \$285,235. Cash and investment balances in relation to fund balances vary based on state aid holdbacks and the tax shift. For 2021 through 2025, the state paid 90% of aids during the school year.

Independent School District No. 879
Financial Analysis

Food Service Fund

The following table presents five years of comparative operating results for the District's Food Service Fund:

For the Year Ended June 30,	2021	2022	2023	2024	2025
Revenues	\$ 933,449	\$ 1,646,718	\$ 1,603,656	\$ 1,856,152	\$ 1,750,836
Expenditures	928,231	1,268,235	1,461,624	1,634,923	1,750,342
Excess of revenues over (under) expenditures	5,218	378,483	142,032	221,229	494
Fund balance, July 1	261,967	267,185	645,668	787,700	1,008,929
Fund Balance, June 30	\$ 267,185	\$ 645,668	\$ 787,700	\$ 1,008,929	\$ 1,009,423

In 2025, food service revenues exceeded expenditures by \$494. Overall, food service revenues decreased by \$105,316 and expenditures increased by \$115,419. Revenues decreased with less federal revenues due to supply chain assistance funds ending, while expenditures increased as a result of increased staffing and the increase in food costs.

Community Service Fund

The following table presents five years of comparative operating results for the District's Community Service Fund:

For the Year Ended June 30,	2021	2022	2023	2024	2025
Revenues	\$ 1,908,152	\$ 2,465,483	\$ 2,799,473	\$ 2,753,397	\$ 2,985,476
Expenditures	2,006,653	2,386,064	2,616,172	2,624,836	2,734,843
Excess of revenues over (under) expenditures	(98,501)	79,419	183,301	128,561	250,633
Fund balance, July 1	233,720	135,219	214,638	401,843	530,404
Fund Balance, June 30	\$ 135,219	\$ 214,638	\$ 401,843	\$ 530,404	\$ 781,037

Components					
Nonspendable	\$ 13,259	\$ 13,259	\$ 7,795	\$ 6,741	\$ 6,741
Restricted for					
Community Education	42,893	143,078	321,327	503,300	764,676
ECFE	71,943	45,856	53,240	260	330
School Readiness	4,381	9,494	16,114	13,610	7,885
Adult Basic Education	966	897	897	897	897
Fund Purpose	1,777	2,054	2,470	5,596	508
Total	\$ 135,219	\$ 214,638	\$ 401,843	\$ 530,404	\$ 781,037

Revenues for the Community Service Fund increased \$232,079 while expenditures increased \$110,007 in 2025. Revenues increased due to increases in fees, programming, and participation in the childcare program for 2025. Expenditures increased with additional purchased service costs for programs run by outside organizations. The Fund increased its fund balance in 2025 with an operating excess of \$250,633. The Community Service Fund should be continually monitored, including programs within the Fund, to ensure each program's revenues are covering its related expenditures.

Independent School District No. 879 Legislative Summary

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

Achievement and Integration Revenue

The administrative amount of each district's initial achievement and integration revenue that MDE may retain for administration of the program increased from 0.3% to 1.3% for the second prior fiscal year beginning in 2026 and later.

Basic Alternative Teacher Compensation Aid (Q-Comp)

The total cap for basic alternative teacher compensation aid increased to \$89,486,000 for 2026 and beyond. Unspent "Q Comp" funds must be reserved in a restricted fund balance and used only for their intended purpose.

Basic General Education Aid

The formula allowance for 2025 was set at \$7,281 and for 2026, the formula allowance increases to \$7,481, which is a 2.7% increase over 2025.

Compensatory Education Revenue

For fiscal year 2026 only, the compensation revenue pupil units for each building in a district are set equal to the greater of the building's actual compensation revenue pupil units for revenue in FY 2026, or the building's actual compensation revenue pupil units computed for revenue in FY 2024. The transition to the new compensatory formula enacted in Minnesota Laws 2023, chapter 55 has been delayed until fiscal year 2027.

English Learner Aid and Cross Subsidy

For 2026, the aid is \$1,228 times the greater of 20 or total English learner ADM. For 2027, this increases to \$1,775 times the greater of 20 or total English learner ADM. The English learner concentration formula amount increases from \$436 in 2026 to \$630 in 2027. For 2027 and later, a district's Cross Subsidy Aid equals 25% of the district's cross subsidy, which is the greater of zero or the difference between the district's expenditures for qualifying services for the second prior year and the district's English learner revenue for the second previous year.

Food Service Net Cash Resource Limitation

The temporary 6-month net cash resource limit of operating expenditures in the Food Service Fund has been extended through fiscal year 2026 for authorities who provide justification for higher balances.

Long-Term Facilities Maintenance (LTFM) Revenue

Districts may include roof repair and replacement costs totaling \$100,000 or more per site in the annual LTFM revenue authority effective for fiscal year 2027 and later. The LTFM equalizing factor increased to offset the projected increase in statewide LTFM levies with additional equalization aid.

Pension Bill and Pension Adjustment Revenue

Minnesota Laws 2025, chapter 37, article 13, section 1 increases the pension adjustment rate for all other districts (besides ISD No. 625, St. Paul) in fiscal year 2026 and later from 2.0% to 2.31%. Article 13, section 2 increases the employer contribution to the Teachers Retirement Association in the special revenue fund in fiscal year 2026 and later from 9.5% to 9.81% of the salary of each coordinated member and from 13.5% to 13.81% of the salary of each basic member.

**Independent School District No. 879
Legislative Summary**

School Library Aid

Beginning in fiscal year 2026, the school library aid per pupil allowance is reduced from \$16.11 to \$10.27 for 2026 and 2027, and \$9.12 for 2028 and later. The minimum amount for a school district is reduced from \$40,000 to \$20,000, while the minimum amount for a charter school is reduced from \$20,000 to \$10,000 beginning in 2026.

Special Education Aid

The Special Education Cross Subsidy Reduction Aid paid to districts increased from 6.43% to 44% beginning in 2024. A further increase to 50% begins in 2027.

Student Support Personnel Aid

Beginning in fiscal year 2026, the per pupil allowance is reduced from \$48.73 to \$30.05 in 2026 and 2027, and \$34.32 in 2028 and later. The cooperative student support allowance is reduced from \$2.44 to \$1.60 in 2026 and later.

**Independent School District No. 879
Emerging Issues**

Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- **Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements***

GASB has issued GASB Statement No. 103 relating to changes in financial reporting requirements. The changes provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities.

- **Accounting Standard Update - GASB Statement No. 104 - *Disclosure of Certain Capital Assets***

GASB has issued GASB Statement No. 104 relating to capital asset disclosures. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets.

The following are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your District.

**Independent School District No. 879
Emerging Issues**

Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements*

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement addresses 5 areas of the financial statements (1) Management's Discussion and Analysis (MD&A), (2) Unusual or Infrequent Items, (3) Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, (4) Major Component Unit Information, and (5) Budgetary Comparison Information.

This Statement continues the requirement that the MD&A precede the basic financial statements as part of the Required Supplementary Information (RSI). This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that detailed analyses should explain why balances and results of operations changed, rather than stating amounts and "boilerplate" discussions.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. The Statement provides clarification regarding operating and nonoperating revenues and expenses. Also, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication - RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

GASB Statement No. 103 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

**Independent School District No. 879
Emerging Issues**

Accounting Standard Update - GASB Statement No. 104 - *Disclosure of Certain Capital Assets*

The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets continue to be disclosed separately in the capital assets note disclosures including presentation of capital assets by major class and separate disclosure of lease assets, subscription assets, and intangible right-to-use assets.

This Statement requires additional disclosures for capital assets held for sale. A capital asset is held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date.

Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

GASB Statement No. 104 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.